



Owner & Agent Training

Physical Inspection Standards: Mastering Physical Inspections

Presented by: Jose Zavala, *Physical Inspector*

Physical Inspection Session Agenda



- **Physical Inspection Purpose**
- **Inspection Workflow Process
NSPIRE/UPCS Inspection Protocol
Cure Periods and NSPIRE updates**
- **Inspection Video**
- **New Report Design Inspection Results
and Compliance Documents**
- **IRS 8823 Reporting of Noncompliance
and noncompliance corrected**
- **Casualty Loss BIDS
Capital Improvements and PNA**



Physical Inspection Purpose

Physical inspections are conducted to ensure the quality, safety, and sanitation of properties that receive HUD assistance under **National Standards for the Physical Inspection of Real Estate (NSPIRE)** or **Uniform Physical Condition Standard (UPCS)** inspection protocol.

Inspection Process Workflow



Before Inspection

- Scheduling
- Tenant Notification

Day of Inspection

- Interview
- Review Inspection Checklist
- Site Updates
- Unit Program Sampling
- Physical Inspection of Site

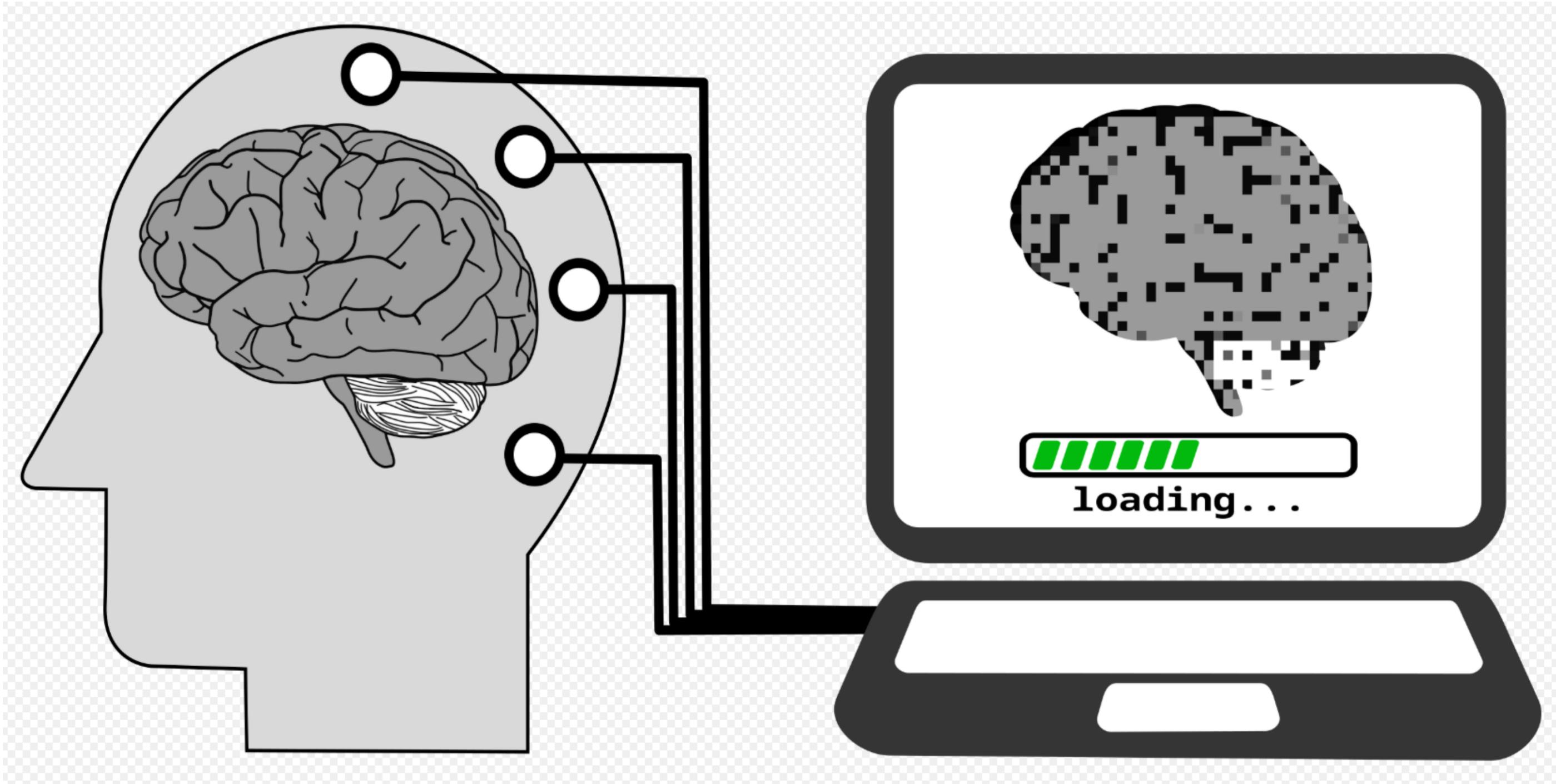
After Inspection

- Closing interview
- Review of Health and Safety deficiencies found
- Work Order(s) and Cure period requirements



RENT ROLL ON A SPREADSHEET

A	B	C	D	E	F	G	H
Easy Living Apts. Tenant Listing							
Blue are sample units							
8 Total Units	3 Units	Unit # on Rent Roll	Address	Bdrms	Bath	Bldg. 1 BIN-IL-00-00001	Unit Programs
1	1	1-001	5554 S. Easy Ave. #1	1	1	First Last Name	LIHTC
2	2	1-002	5554 S. Easy Ave. #2	1	1	VACANT	LIHTC
3	3	1-003	5556 S. Easy Ave. #2	2	1	First Last Name	SRN / HTF / LIHTC
	3 Units	Unit # on Rent Roll	Address	Bdrms	Bath	Bldg. 2 BIN-IL-00-00002	Unit Programs
4	1	2-001	7006 S. Living Ave. #1	3	2	First Last Name	LIHTC
5	2	2-002	7008 S. Living Ave. #1	1	1	First Last Name	HTF / LIHTC
6	3	2-003	7008 S. Living Ave. #2	1	1	First Last Name	SRN / HTF / LIHTC
	2 Units	Unit # on Rent Roll	Address	Bdrms	Bath	Bldg. 3 BIN-IL-00-00003	Unit Programs
7	1	3-001	7015 S. Smith Ave. #1	1	1	First Last Name	LIHTC
8	2	3-002	7017 S. Smith Ave. #1	1	1	First Last Name	SRN / LIHTC



Asset Management physical inspection training

IHDA

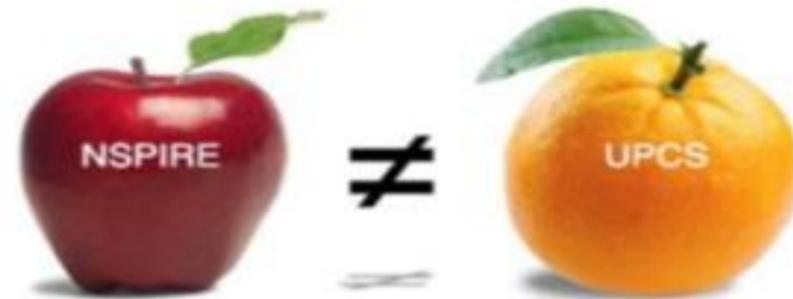


[Click on the image to view the Physical Inspection Training video.](#)



PHYSICAL INSPECTION PROTOCOLS

As a Housing Finance Agency, IHDA uses two inspection protocols:



National Standards for the Physical Inspection of Real Estate (NSPIRE)

- What is the NSPIRE inspection process?
- What is the HUD REAC inspection process and IHDA's relationship?
- What is the intent of NSPIRE?

Uniform Physical Condition Standard (UPCS)

- What is the UPCS inspection process?

Note: The final rule for NSPIRE became effective on October 1, 2023, excluding managing programs such as **Section 8 Mod Rehab**. The program will remain under UPCS standards.



Inspection standards are reviewed at least every three years.

Health and safety deficiency categories include:

Life-Threatening – Severe - Moderate - Low

KEY NSPIRE UPDATES

Mold and moisture deficiencies are identified through visible conditions or elevated moisture readings

Infestation deficiencies are based on clear observation levels and identified citable pest



KEY NSPIRE UPDATES

Smoke alarm requirements align with The Smoke Detector Act (425 ILCS 60/)

Fire Door Standards requires function ability, operability, and structural integrity

Carbon monoxide alarms must comply with the Carbon Monoxide Alarm Detector Act (430 ILCS 135/)



NSPIRE Changes

Health and Safety Deficiency Cure Periods

	Outside	Inside	Unit
Life - Threatening			
24-hour cure period	Gas dryer exhaust ventilation system has restricted airflow	Structural System exhibits signs of serious failure	Flammable or combustible material is on or near a gas ignition source, e.g. water heater or furnace
Severe			
24-hour cure period	A sharp edge that can result to a cut or puncture hazard is present	Fire labeled door does not close and latch or self-close and latch	Call for aid system is blocked
Moderate			
30-day cure period	Trip hazard on walking surface	Plumbing leak that allows for water intrusion in unintended areas	Refrigerator component is damaged such that it impacts functionality
Low			
30-day cure period	Water runoff is unable to flow through the site drainage system	Exterior gate will not close	Presence of mold-like substance at very low levels is observed visually



New Health & Safety Inspection Report

(601939)

Easy Living Apts: (Multiple Units) Health and Safety Report Physical Inspection: Triennial Inspection



Scheduled: 04/24/2025

Closed: Apr 29 2025

ID: 601939

Inspection Notes

TC-1200

Inspection Results - Health/Safety Only

Inside								
00296 Location	Item	Results	Notes	Pic	Date	Fixed	Sev	Fix By
Hallways & Corridors (Bldg)	Lighting – Auxiliary	Auxiliary lighting component fails to illuminate when tested	All floors	1	04/24/25 12:00 KF		Severe	24H
Unit								
00296: Unit 104 Location	Item	Results	Notes	Pic	Date	Fixed	Sev	Fix By
Bathroom 1	GFCI/AFCI	GFCI outlet or GFCI breaker reset button does not test (No visible damage)		2	04/24/25 11:29 KF		Severe	24H
00296: Unit 304 Location	Item	Results	Notes	Pic	Date	Fixed	Sev	Fix By
Bathroom 1	GFCI/AFCI	GFCI outlet or GFCI breaker reset button does not test (No visible damage)		3	04/24/25 12:07 KF		Severe	24H

UPCS - Health & Safety Inspection Report



Easy Living II Apts: (Multiple Units)
Health and Safety Report
(UPCS) Pre-REAC Non-Scoring: Triennial Inspection



Scheduled: 04/24/2025

Closed: Apr 29 2025

ID: 601939

Inspection Results - Health/Safety Only

Entire Site									
Site Location	Item	Deficiency/Finding	Notes	Pic	Date	Fixed	Sev	HS	LT
Walkway/Steps	Sidewalk/Walkway/Ramp	TRIPPING: Any obstruction or defect in a surface that causes tripping	Near building 600	1	11/12/25 09:45 JZ		L3	X	NLT
Exterior									
Bldg 1									
Location	Item	Deficiency/Finding	Notes	Pic	Date	Fixed	Sev	HS	LT
Entry Door	Door - Security/Storm	HARDWARE: Security door hardware, or other damage	Rod it door frame near 602	2	11/12/25 10:13 JZ		L3	X	NLT
Bldg 3									
Location	Item	Deficiency/Finding	Notes	Pic	Date	Fixed	Sev	HS	LT
Entry Door	Door - Security/Storm	HARDWARE: Security door hardware, or other damage	Rotted door frame near 601	3	11/12/25 10:12 JZ		L3	X	NLT
Bldg 4									
Location	Item	Deficiency/Finding	Notes	Pic	Date	Fixed	Sev	HS	LT
Entry Door	Door - Security/Storm	HARDWARE: Security door hardware, or other damage	Write it door frame entrance of 603	4	11/12/25 10:11 JZ		L3	X	NLT
Unit									
Bldg 2: Unit 602-A									
Location	Item	Deficiency/Finding	Notes	Pic	Date	Fixed	Sev	HS	LT
Bedroom 1	Smoke Alarms	FIRE SAFETY: Smoke detector inoperable/missing		5	11/12/25 09:39 JZ		L3	X	LT
Bedroom 2	Smoke Alarms	FIRE SAFETY: Smoke detector inoperable/missing		6	11/12/25 09:39 JZ		L3	X	LT



NSPIRE Changes and Deficiency Cure Periods

00130: Unit 7-121 vac

Location	Item	Results	Notes	Pic	Date	Fixed	Sev	Fix By
Entire Unit	No Issues/Violations Inspected - No Issues Were Found				10/23/25 14:53			

00130: Unit 7-121 vac Unit NSPIRE Totals

Life Threatening: 0/0 Severe: 0/0 Moderate: 0/0 Low: 0/0

00130: Unit 7-129

Location	Item	Results	Notes	Pic	Date	Fixed	Sev	Fix By
Alternate Location - See Notes for Details	Door Hardware - Entry (non-fire)	Entry door component is damaged, inoperable, or missing (does not affect privacy or security) (17263)	Storm door in front of unit 129 handle is broken and will not close or self latch	<u>49</u>	10/23/25 14:52 JZ		Low	60D
Hallways & Corridors	Ceiling Covering and Finishes	Ceiling component(s) is not functionally adequate (17235)	Mold like substance on ceiling and hallway above mechanical closet- peeling paint	<u>50</u>	10/23/25 14:48 JZ	X	Severe	24H
Storage Room	Infestation	Evidence of mice (17286)	Mice droppings located in mechanical room on top of hot water tank and floor	<u>51</u>	10/23/25 14:50 JZ		Mod	30D

NSPIRE Changes to Health and Safety Deficiency Cure Periods



00130: Unit 7-129



49

00130 Unit 7-129 - Alternate Location - See Notes for Details - Door Hardware - Entry (non-fire) - Oct 23 2025 2:52PM - J Zavala CAPTION: Storm door in front of unit 129 handle is broken and will not close or self latch



50

00130 Unit 7-129 - Hallways & Corridors - Ceiling Covering and Finishes - Oct 23 2025 2:48PM - J Zavala CAPTION: Mold like substance on ceiling and hallway above mechanical closet- peeling paint



51

00130 Unit 7-129 - Storage Room - Infestation - Oct 23 2025 2:50PM - J Zavala CAPTION: Mice droppings located in mechanical room on top of hot water tank and floor



Common Life-Threatening Deficiencies Found



Electrical service panel is not readily accessible. In case of emergency.



Blocked Egress



Windows with stationary security bars are unacceptable under NSPIRE and UPCS standards.



Excessive clutter blocks all emergency evacuations for example EMT service. NSPIRE and UPCS standards require an exit access to serve as is a path from any interior location to an exit.



NSPIRE does not allow a keyed exterior gate, or fence. It is considered a condition that may obstruct the means of egress.

IRS FORM 8823 - LIHTC REPORTING OF NONCOMPLIANCE



IHDA submits an 8823 to the IRS when:

Noncompliance is identified during a physical inspection

Deficiencies are not corrected within the required cure period

Filing an 8823 does not automatically result in loss of tax credits. Once deficiencies are corrected, a corrected Form 8823 is filed.

Form 8823
(Rev. December 2019)
Department of the Treasury
Internal Revenue Service

**Low-Income Housing Credit Agencies
Report of Noncompliance or Building Disposition**
OMB No. 1545-1204
Check here if this is an amended return

► File a separate Form 8823 for each building that is disposed of or goes out of compliance.
► Go to www.irs.gov/Form8823 for the latest information.

1 Building name (if any). Check if line 1 differs from Form 8609 **IRS Use Only**

Street address

City or town, state, and ZIP code

2 Building identification number (BIN)

3 Owner's name. Check if line 3 differs from Form 8609

Street address

City or town, state, and ZIP code

4 Owner's taxpayer identification number EIN SSN

5 Total credit allocated to this BIN \$

6 If this building is part of a multiple building project, enter the number of buildings in the project

7a Total number of residential units in this building

b Total number of low-income units in this building

c Total number of residential units in this building determined to have noncompliance issues (see instructions)

d Total number of units reviewed by agency (see instructions)

8 Date building ceased to comply with the low-income housing credit provisions (see instructions) (MMDDYYYY)

9 Date noncompliance corrected (if applicable) (see instructions) (MMDDYYYY)

10 Check this box if you are filing only to show correction of a previously reported noncompliance problem

11 Check the box(es) that applies:

	Out of compliance	Noncompliance corrected
a Household income above income limit upon initial occupancy	<input type="checkbox"/>	<input type="checkbox"/>
b Owner failed to correctly complete or document tenant's annual income recertification	<input type="checkbox"/>	<input type="checkbox"/>
c Violation(s) of the UPCS or local inspection standards including casualty losses (see instructions) (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
d Owner failed to provide annual certifications or provided incomplete or inaccurate certifications	<input type="checkbox"/>	<input type="checkbox"/>
e Changes in Eligible Basis or the Applicable Percentage (see instructions)	<input type="checkbox"/>	<input type="checkbox"/>
f Project failed to meet minimum set-aside requirement (20/50, 40/60, average income test) (see instructions)	<input type="checkbox"/>	<input type="checkbox"/>
g Gross rent(s) exceeds limits	<input type="checkbox"/>	<input type="checkbox"/>
h Project not available to the general public (see instructions) (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
i Violation(s) of the Available Unit Rule under section 42(g)(2)(D)(ii)	<input type="checkbox"/>	<input type="checkbox"/>
j Violation(s) of the Vacant Unit Rule under Reg. 1.42-5(c)(1)(ix)	<input type="checkbox"/>	<input type="checkbox"/>
k Owner failed to execute and record extended-use agreement within time prescribed by section 42(h)(6)(J)	<input type="checkbox"/>	<input type="checkbox"/>
l Low-income units occupied by nonqualified full-time students	<input type="checkbox"/>	<input type="checkbox"/>
m Owner did not properly calculate utility allowance	<input type="checkbox"/>	<input type="checkbox"/>
n Owner has failed to respond to agency requests for monitoring reviews	<input type="checkbox"/>	<input type="checkbox"/>
o Low-income units used on a transient basis (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>
p Building is no longer in compliance nor participating in the section 42 program. (Attach explanation.)	<input type="checkbox"/>	<input type="checkbox"/>
q Other noncompliance issues (attach explanation)	<input type="checkbox"/>	<input type="checkbox"/>

12 Additional information for any line above. Attach explanation and check box

13a Building disposition by Sale Foreclosure Destruction Other (attach explanation)

b Date of disposition (MMDDYYYY)

c New owner's name

Street address

City or town, state, and ZIP code

d New owner's taxpayer identification number EIN SSN

14 Name of contact person

15 Telephone number of contact person

Ext.

Under penalties of perjury, I declare that I have examined this report, including accompanying statements and schedules, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature of authorizing official Print name and title Date (MMDDYYYY)

For Paperwork Reduction Act Notice, see instructions. Cat. No. 12308D Form **8823** (Rev. 12-2019)



MANAGEMENT BULLETIN # 560

DATE: 4/6/2023

TO: Owners and Agents of IHDA Assisted and Financed Properties

CC: IHDA Asset Management Staff

FROM: IHDA Asset Management Department

RE: Notification Regarding Property Emergencies

SUMMARY:

As an owner/agent of an IHDA-financed development, you are responsible for timely and proactive communication to IHDA regarding property emergencies, specifically those that constitute an exigent health and safety risk to tenants, result in sudden operational or financial losses, and/or render a unit or building uninhabitable, even if temporary. These emergencies include but are not but are not limited to flooding, fires, bed bugs or other severe pest infestations, significant spread of illness, and severe weather-related impacts, including extreme heat or cold.

Should these circumstances occur, you **must** contact your assigned Asset Manager or Senior Asset Manager by email within one business day of the issue arising. This email should include a description of the issue, the date of origin, the scope and the severity of the issue (delineated by number of buildings and units affected), and the initial actions being taken to remedy the situation. Please also note in the email if there are actual or expected impacts to reserves and/or insurance. Thereafter, updates through the resolution of the issue shall similarly be provided weekly or more frequently if conditions change. Thank you in advance for your cooperation.

<https://www.ihda.org/rental-housing-main/property-managers/#property-emergencies>

PROCEDURES ON CASUALTY LOSS EVENTS AT IHDA DEVELOPMENTS



111 E. Wacker Drive
Suite 1000
Chicago, IL 60601
312.836.5200

Notice of Casualty Loss

DATE OF EVENT: <input type="text"/>	STREET ADDRESS: <input type="text"/>
PROPERTY NAME: <input type="text"/>	CITY: <input type="text"/>
# OF BUILDINGS AFFECTED: <input type="text"/>	STATE: IL ZIP: <input type="text"/>
# OF UNITS AFFECTED: <input type="text"/>	PID: <input type="text"/>
BIN(s) OF AFFECTED BUILDINGS (if applicable)* <input type="text"/>	TYPE OF DAMAGE FIRE <input type="checkbox"/> FLOOD <input type="checkbox"/> TORNADO <input type="checkbox"/> STORM DAMAGE <input type="checkbox"/> OTHER (PLEASE DESCRIBE) <input type="text"/>
<small>*If listing multiple BINS, please separate with commas</small>	Are you planning on filing an insurance claim related to the casualty loss event? Yes <input type="checkbox"/>
NARRATIVE OF EVENT/ADDITIONAL INFORMATION <input type="text"/>	Is the development in a federally-declared disaster area? Yes <input type="checkbox"/>
<small>If your narrative of the event exceeds the space above, please submit the narrative in a separate document and write "See attachment" in the box.</small>	TENANT DISPLACEMENT How many tenants have been displaced? <input type="text"/>
Please attach 1) photos of the damages so that IHDA staff can assess the severity and 2) any formal plans that have been put in place to assist with the temporary or permanent relocation of tenants.	How many tenants will be permanently displaced? <input type="text"/>
Owner/Agent Signature <input type="text"/>	If temporarily displaced, how many months do you estimate it will take to rehouse all tenants? <input type="text"/>
DATE <input type="text"/>	



Rev. 7/2023



BIDs and Contract Overview

The Agent solicits three formal written bids on contracts or purchases that exceeds \$25,000.00.



The bids are submitted to the Financial Analyst (FA) with a cover letter detailing which vendor the Agent prefers. At which time the FA will assess available funds. If sufficient, will forward request to Physical Inspector for review.





The Physical Inspector will review the scope of work listed in the bids and determine whether the work can proceed based on the following factors:

Contractor's work experience	Insurance bond and workers compensation coverage	Identity of Interest	The cost, quality and scope of work.	Budget (availability of funds)
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The Physical Inspectors may schedule an inspection of the item to be repaired or replaced prior to the contract being signed, during the work process and/or after the work is completed.

CAPITAL IMPROVEMENTS REQUESTS



The Asset Management Services (AMS) Department monitors IHDA's multifamily loan portfolio, including reserve balances and withdrawal approvals.

Reserve withdrawal requests exceeding \$25,000 are reviewed by the Financial Analyst and the Physical Inspection team, and an on-site inspection is conducted to verify completion of the approved scope of work.

PHYSICAL NEEDS ASSESSMENT



- **A PNA is a strategic planning tool. It is not a budget but is an important reference documents of the development of annual budgets**
- **A PNA can serve as a documentation for a long-term grant or loan**



AM Physical Inspection Contact Information

 312-836-5200

-  Cpickens@ihda.org – Physical Inspector Manager
- Emarshall@ihda.org – Senior Physical Inspector
- Jzavala@ihda.org – Senior Physical Inspector
- Kfuqua@ihda.org – Physical Inspector
- Lreed1@ihda.org – Physical Inspector

*IHDA is built on our Core Values
of
People, Teamwork, Equity &
Inclusion, Innovation and
Respect.*

 <https://www.ihda.org/about-ihda/contact-us/>





Q & A





We Appreciate Your Feedback!

Physical Inspection Standards -
Mastering Physical Inspections

